

## Message Text

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ACTION ARA-14

INFO OCT-01 EUR-12 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00  
COME-00 DODE-00 EB-08 DOE-11 H-01 INR-10 INT-05  
L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07  
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 PA-01 CU-04  
HA-05 NEA-10 /153 W  
-----034828 250518Z /21

R 241739Z FEB 78  
FM AMEMBASSY CARACAS  
TO SECSTATE WASHDC 1313  
INFO AMEMBASSY BOGOTA  
AMCONSUL CURACAO  
AMEMBASSY THE HAGUE  
AMEMBASSY VIENNA  
USCINCLANT NORFOLK VA  
USCINCSO QUARRY HEIGHTS

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E.O. 11652: N/A  
TAGS: PINS PBOR PEPR PORS SHUM ENRG EFIN PINR  
NA NL VE  
SUBJECT: THIS WEEK IN ENEZUELA

REFS: (A) CARACAS 1639 (B) CARACAS 1663 (C) CARACAS 1501

SUMMARY: STUDENT DEMONSTRATIONS CONTINUE THROUGHOUT VENEZUELA. PRESIDENT PEREZ REACTS NEGATIVELY TO PRESIDENT CARTER'S STATEMENT ON US COUNTER TO AN OIL EMBARGO. OIL PRODUCTION REMAINS DEPRESSED AND FORCES BUDGET CUTS. FOREIGN MINISTER BRIEFS PRESIDENTIAL CANDIDATES ON BASES OF A MARTIME BOUNDARY ACCORD WITH THE NETHERLANDS ANTILLES. MEASURES TAKEN TO IMPROVE LIQUIDITY. FORMER PRESIDENT BETANCOURT CELEBRATES HIS 70TH BIRTHDAY AND 50 YEARS OF POLITICAL ACTIVITY. END SUMMARY.  
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1. STUDENT DEMONSTRATIONS CONTINUE THROUGHOUT VENELA. YOUTHFUL STUDENTS PROTESTING TH FEBRUARY 14 SHOOTING DEATH OF A STUDENT IN SAN FELIPE, YACACUY STATE, CONTINUED SPORADIC STREET DEMONSTRATIONS IN MAJOR CITIES THIS WEEK. HARDEST HIT HAS BEEN CARACAS, WHERE VIOLENT CONFRONTATIONS WITH POLICE HAVE OCCURED FOR THREE STRAIGHT DAYS.

AUTHORITIES HAVE DETAINED HUNDREDS --LARGELY TEENAGERS-- AND MANY HAVE BEEN INJURED IN THE WIDESPREAD PROTESTS. ONE 16 YEAR OLD STUDENT DIED FROM A SHOT FIRED FROM AN UNIDENTIFIED CAR AS HE AND OTHER YOUTHS WERE ATTACKING IT WITH ROCKS. ANOTHER IS NEAR DEATH AFTER A TWO-STORY FALL. MOLOTOV COCKTAILS AND ROCKS HAVE BEEN THE MAIN WEAPONS OF THE STUDENTS AND THE NATIONAL GUARD HAS BEEN CALLED UPON TO HELP QUELL THE VIOLENCE. A WREATH-LAYING CEREMONY IN HONOR OF WASHINGTON'S BIRTHDAY TO BE ATTENDED BY EMBASSY OFFICIALS WAS CANCELLED AS DEMONSTRATORS GATHERED IN THE NEIGHBORHOOD, INCLUDING THE SITE. PRESIDENT PEREZ ANNOUNCED THAT THE KILLER OF THE SAN FELIPE STUDENT WILL BE BROUGHT TO JUSTICE AND THERE ARE SEVERAL RUMORED SUSPECTS, AMONG THEM AD PARTY'S SECRETARY GENERAL IN YARACUY. THE GOV CONTUNUES TO BLAME PROFESSIONAL RADICAL LEFTIST AGITATORS FRO ENGLAMING THE STUDENTS. GOV SPOKESMEN ASSERT THE RADICALS HOPE TO CREATE AN ATMOSPHERE OF VIOLENCE AND DISRUPT THE EVLECTION PROCESS. COMMENT: WHILE THE STUDENT'S KILLING WAS THE SPARK, THE PROTESTS REFLECT THE DEPTH OF THE FRUSTRATION AND DISCONTENT AMONG VENEZUELA'S YOUTHFUL "MARGINALES" OVER A PROBLEM-RIDDEN EDUCATIONAL SYSTEM AND WHAT THEY PERECEIVE AS A CLOSED-OUT AVENUE TO SUCCESS. MOST OF THE DEMONSTRATORS ARE INTHEIR EARLY TEENS, A GROUP HISTORICALLY PREDISPOSED TO STREET VIOLENCE IN VENEZUELA, AND SUSCEPTIBLE TO THE CROWD MENTALITY. THE DISTRUBANCES HAVE CENTERED IN POORER LIMITED OFFICIAL USE

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AREAS AND NEAR HIGH SCHOOLS. THE AUTHORITIES HAVE BEEN ABLE TO RESTORE ORDER WITH LITTLE DIFFICULTY. END COMMENT. (SEE REFTELS A AND B).

2. PRESIDENT PEREZ REACTS TO PRESIDENT CARTER'S STATEMENT ON US RESPONSE TO AN OIL EMBARGO. IN A PRESS CONFERENCE FEBRUARY 19, PRESIDENTPEREZ REACTED TO A STATEMENT BY PRESIDENT CARTER CONCERNING MEASURES THE US WOULD TAKE IN THE EVENTOF ANOTHER OIL EMBARGO BY OIL-PRODUCING COUNTRIES. PEREZ STATED: BEGIN QUOTE "OUR COUNTRY, THOUGH SMALL AND PEHAPS MILITARILY WEAK, WILL NEVER ACCEPT THREATS OF ANY KIND FROM ANY COUNTRY IN THE WORLD, HOWEVER POWERFUL." END QUOTE. HOWEVER, PEREZ IMMEDIATELY ADDED, "WE HAVE GREAT CONFIDENCE IN THE DEMONCRATIC SINCERITY PRESIDENT CARTER HAS BEEN VOICING EMPHATICALLY AND CONTINUOUSLY. WE CANNOT BELIEVE THE US IS CAPABLE, IN THE PRESENT STAGEBEING EXPERIENCED BY THE WORLD, OF CARRYING OUT ACTIONS WHICH VIOLATE THE SOVEREIGNTY OR RIGHTS OF ANY OTHER NATION."

3.COMMENT: PEREZ' COMMENT WERE MADEIN A APRESS INTERVIEW WHICH COVERED A NUMBER OF DOMESTIC ANDFOREIGN POLICY

TOPICS, AND HIS RESPOSE TO PRESIDENT CARTER'S EMBARGO STATEMNT WAS NOT THE MAJOR THRUST OF THE PRESS INVIEW. EXTREMELY SENSITIVE TO ANY CRITICISM (REAL OR IMAGINED) OF VENEZUELA'S SUPPORT OF OPEC, PEREZ' REMARKS REFLECT VENEZUELAN BELIEF THAT THE OPEC CARTELIS A LEGITIMATE WEAPON TO BE USED IN THE DEFENSE OF THE DEVELOPING WORLD. THEY WERE NOT DIRECTED AT PRESIDENT CARTER HIMSELF. NOTHING FURTHER HAS BEEN SAID ON THE SUBJECT SINCE PEREZ' SINGLE STATEMENT FEBRUARY 19.

4. OIL PRODUCTION REMAINS DEPRESSED.  
OIL PRODUCTION DROPPED SLIGHTLY BELOW 1.7 MILLION BARRELS PER DAY FOR THE FIRST SIX WEEKS IN 1978, WHICH IS ABOUT 25 PERCENT BELOW LAST YEAR'S AVERAGE DAILY PRODUCTION RATE.  
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WITH NO IMMEDIATE PROSPECTS FOR IMPROVEMENT, THE SUBJECT IS BECOMING A POLITICAL ISSUE AS THE MAJOR OPPOSITION PARTY BLAMES GOV POLICIES AND THE LEFTISTS ATTACK THE MULTINATIONAL COMPANIES RESPONSIBLE FOR EXPORT MARKETING. STEPS ARE ALSO BEING ANNOUNCED TO OFFSET THE ECONOMIC AND FINANCIAL EFFECTSOF THE PRODUCTION DROP (CARACAS 1720 ADN 1976).

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5. LOW OIL PRODUCTION FORCES BUDGET CUTS.

DUE TO A DECLINE IN ANTICIPATED OIL EXPORT ROYALTY RECEIPTS, FINANCE MINISTER SILVA HAS PROPOSED THE BUDGET BE CUT BY BS 2,000 MILLION (465 MILLION) BY HAVING EACH MINISTER CUT HIS BUDGET ACCORDING TO SUGGESTED GUIDELINES. THE REASON FOR THESE CUTS IS THAT IF PETROLEUM DEMAND REMAINS DEPRESSED, THE GOV WILL NOT REALIZE BS 3,500 MILLION (\$815 MILLION) IN ANTICIPATED OIL RECEIPTS. TO COPE WITH THE SHORTFALL, SILVA HAS ASKED EACH MINISTER TO RE-EXAMINE AND REDUCE HIS BUDGET BY NOT REPLACING POSTS VACANT AT THE END OF THE MONTH, REDUCING THE ACQUISITION OF NEW OFFICES AND EQUIPMENT, AND SLOWING THE COMPLETION OF LOWER PRIORITY CONSTRUCTION PROJECTS. IN JUSTIFYING THE SLOW-DOWN IN CONSTRUCTION PROJECTS, SILVA NOTED THAT THERE WERE ALREADY ENOUGH SCHOOLS, ROADS, PORTS, AIRPORTS AND OTHER INTERNAL INFRASTRUCTURE AND LIMITED OFFICIAL USE

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THERE COULD BE A DELAY IN THE COMPLETION OF THESE PROJECTS. IN ADDITION TO CUTTING THE BUDGET, THE FINANCE MINISTER FOUND AN ADDITIONAL BS 1,800 MILLION (\$419 MILLION) IN UNANTICIPATED REVENUES FROM UNDERSTATED INCOME TAX RECEIPTS AND GREATER CUSTOMS REVENUES FROM INCREASING IMPORTS. THE MINISTER CONCLUDED HIS INTERVIEW WITH THE PRESS BY SAYING THAT AFTER THESE MEASURES TAKE EFFECT THAT HE WOULD EXPECT A SURPLUS AT THE END OF THE YEAR.

6. FOREIGN MINISTER BRIEFS PRESIDENTIAL CANDIDATES ON MARITIME BOUNDARY ACCORD WITH NETHERLANDS ANTILLES. VENEZUELAN FOREIGN MINISTER CONSALVI MET FEBRUARY 22 WITH THE PRESIDENTIAL CANDIDATES OF ALL PARTIES AND THE HIGH MILITARY COMMAND FOR A BRIEFING ON THE BASES FOR NEGOTIATING A MARITIME BOUNDARY AGREEMENT WITH THE NETHERLANDS ANTILLES. CONSALVI REPORTEDLY OUTLINED THE NEGOTIATION HISTORY AND EXPLAINED THE BASES OF THE AGREEMENT AND THEN NEGOTIATING STANCE OF THE GOV AT AN EARLY MORNING WORKING BREAKFAST. ONLY MAS'S CANDIDATE, JOSE VINCENTE RANGEL, AWAY IN THE INTERIOR, WAS ABSENT. A VENEZUELAN NEGOTIATING TEAM TRAVELLED TO CURACAO ON FEBRUARY 23 TO HAND OUT THE DETAILS OF THE AGREEMENT WHICH IS EXPECTED TO BE SIGNED SHORTLY.

7. COMMENT: THE BRIEFING SHOWS THE GOV'S EFFORTS TO INFORM THE OPPOSITION AND DEVELOP MULTIPARTY SUPPORT FOR

ITS FOREIGN POLICY IN AREAS WHERE POSSIBLE AND PRACTICAL.  
THE PEREZ ADMINISTRATION HAS BEEN TRYING TO SETTLE AS  
MANY OF VENEZUELA'S NUMEROUS BORDER DISPUTES AS POSSIBLE.  
FOLLOWING THE AGREEMENT WITH THE NETHERLANDS ANTILLES, THE  
GOV WOULD LIKE TO RESOLVE ITS BORDER DISPUTE WITH GUYANA  
AND FIX MARITIME BOUNDARIES WITH THE US. PEREZ SHOULD HAVE  
LIKE TO HAVE SETTLED VENEZUELA'S MAJOR BORDER DISPUTE,  
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THE DISSENT WITH COLOMBIA, BUT THIS APPEARS HIGHLY UNLIKELY.

8. MEASURES TAKEN TO IMPROVE LIQUIDITY.

THE JULY 1977 MEASURES INTENDED TO CURB INFLATION INCLUDED  
A PROVISION FOR INCREASING THE RESERVE REQUIREMENT OF  
PUBLIC SECTOR FUNDS IN PRIVATE BANKS. DUE TO THE SIGNIFICANT  
NATURE OF THESE DEPOSITS, THIS RESERVE REQUIREMENT INCREASED  
IN FIVE PERCENT MONTHLY INCREMENTS, SUBSTANTIALLY CURBING  
MONETARY GROWTH. THE COMBINATION OF CHRISTMAS DRAWDOWNS  
AND END OF THE YEAR SALARY BONUSES CAUSES A YEARLY  
LIQUIDITY SHORTAGE AT THE BEGINNING OF EACH YEAR. THIS  
YEAR THE PROBLEM IS EXACERBATED BY LOWER THAN NORMAL  
REVENUES FROM THE SALE OF PETROLEUM ADROD. LIQUIDITY  
DIFFICULTIES ARE BEING REMEDIED THIS YEAR BY POSTPONING  
THE FIVE PERCENT INCREMENTAL INCREASE FOR THE MONTHS OF  
JANUARY AND FEBRUARY, THUS FREEING BS 150 MILLION (\$35  
MILLION) TO HELP SATISFY THE DEMAND FOR CREDIT. THIS  
MOVE WILL FREEZE THE RESERVE REQUIREMENT FOR PUBLIC FUNDS  
ON DEPOSIT AT 65 PERCENT INSTEAD OF THE ANTICIPATED 75  
PERCENT.

9. ROMULO BETANCOURT: A 70TH BIRTHDAY AND 50 YEARS OF  
POLITICAL ACTIVITY.

ALL VENEZUELA THIS WEEK PAID TRIBUTE TO THE FATHER OF  
VENEZUELAN DEMOCRACY AS ROMULO BETANCOURT CELEBRATED BOTH  
HIS 70TH BIRTHDAY AND HIS 50TH ANNIVERSARY IN POLITICS  
FEBRUARY 22. A MEMBER OF THE GENERATION OF '28 AND  
PRESIDENT OF VENEZUELA FROM 1958-63, BETANCOURT HAS,  
MORE THAN ANY OTHER SINGLE INDIVIDUAL, SHAPED VENEZUELA'S  
POLITICAL SYSTEM. AS PRESIDENT, BETANCOURT LED THE  
FLEDGLING DEMOCRATIC REGIME AGAINST CUBAN-SUPPORTED  
INSURRECTIONIST OPPOSITION AND PRESIDED OVER THE FIRST  
PEACEFUL TRANSFER OF POWER TO A NEWLY-ELECTED PRESIDENT  
IN RECENT HISTORY. STILL THE CENTRAL INFLUENCE IN ACCION  
DEMOCRATICA (AD)--HE WAS THE PRIME FORCE BEHIND THE  
SELECTION OF LUIS PINERUA ORDAZ AS THE PARTY'S PRESIDENTIAL CANDIDATE-  
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-  
BETANCOURTIS REVEREDBY THE VENEZUELAN PUBLIC AS A  
STRONG, TOUGH, BUT HONORABLE MAN. WELL-WISHERES FROM  
ALL OVER THE WORLD, INCLUDING PRESIDENT CARTER AND A  
NUMBEROF US SENATORS, SENT CONGRATULATORY MESSAGES TO THE  
FORMER PRESIDENT. (SEE REFTEL C).

10. OTHE REPORTING THIS WEEK INCLUDED A PUBLIC STATEMENT  
BY PERESIDENT PEREZ SUPPORTING ECUADOR'S AMAZON ASPIRATIONS  
(CARACAS QYPULN THE 1978 INTERNATIONAL DISASTER PREPAREDNESS  
SEMINAR (CARACAS 1609), VENEZUELAN REACTION TO A POSSIBLE  
BASIS FOR SETTLEMENT INOGADEN (CARACAS 1613), ADDITIONAL  
BIO DATA ON NEW VENEZUELAN AMBASSADOR TO ITALY (CARACAS  
1751), THE SPECIAL SESSION ON DISARMAMENT (CARACAS 1793),  
INTERNATIONA TRADE SECRETARIATS, PTTI AND IMF, MEET IN  
VENEZUELA (CARACAS 1803), GOV ANNOUNCES CONCLUSION OF  
INVENTORY OF OIL ASSETS (CARACAS 1731), PUBLIC CONCERN  
INCREASES OVER OIL EXPORT DECLINE (CARACAS 1720), AND A  
COLOR TV SYSTEM VOR VENEZUELA (CARACAS 1732).  
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## Message Attributes

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**Disposition Approved on Date:**  
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**Previous Handling Restrictions:** n/a  
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**Review Content Flags:**  
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**Review Transfer Date:**  
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**Secure:** OPEN  
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**Type:** TE  
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